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SUBJECT: COAL INDIA SEEKS GREATER COMMERCIAL TIES WITH U.S. FIRMS

REF: KOLKATA 62

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¶1. (SBU) Summary: Coal India, one of India's largest state owned enterprises and also one of the world's largest coal mining companies, is cash rich and expansion hungry. The Chairman of Coal India is driven by the fundamental belief that coal, which is the source for 65% of India's energy production, is essential to India's growth. He is enthusiastic about increasing U.S. commercial mining equipment sales, acquiring interest in or securing supply from U.S. mines, and cooperating in third country mining. He favors enhanced U.S.-Indian cooperation on coal and advocates greater commercial participation in the bilateral government dialogues. He acknowledges room for negotiation on climate change with the GoI so long as mitigation targets are "incremental and done in consultation with stakeholders."

Coal: Essential to India's Growth

¶2. (SBU) During the Ambassador's recent visit to Coal India's headquarters in Kolkata, its chairman, Partha Bhattacharyya, emphasized the essential nature of coal to India's growth; coal is the source for 65 percent of India's energy production. To increase supply, Coal India is focused on increasing both domestic production and overseas acquisitions. He estimated that Coal India's domestic coal production, approximately 400 million tons or 82 percent of overall domestic production, will grow 7.7 percent in 2010 and is targeted for 8.5 - 9 percent growth in future years. He predicted that in India readily accessible coal through open cast mining will be exhausted within 50 years, and that companies will increasingly have to turn towards underground mines and overseas supply.

U.S. Commercial Opportunities: Equipment, Acquisition and Third Country Mining

¶3. (SBU) In 2009 Coal India placed orders worth USD 213 million from the U.S. equipment manufacturers Bucyrus, Caterpillar, P&H, Terex and Atlas Copco. Bhattacharyya highlighted the competitiveness of U.S. firms, stressing their product quality and after-sales service. He announced that a tender would soon be released for equipment and potential after-sales service and

maintenance worth USD 1.6 billion over five years. He mentioned a recent trip to the United States, where he had looked at U.S. mines either as acquisition targets or secured coal suppliers. He also had preliminary discussions with several companies about cost plus contracting, whereby a U.S. company would operate mines in third countries on behalf of Coal India for eventual export to India. He mentioned that he had USD 1.5 billion in cash to spend on acquisitions this year.

Enhanced U.S.-Indian Cooperation on Coal

14. (SBU) Commenting on the recent meeting of the Coal sub-working group in Washington, Bhattacharyya advocated greater private sector participation in the bilateral dialogue. He regretted the lack of U.S. private sector involvement, particularly small and medium enterprises. He inquired about the status of the Department of Energy's Future Gen project as he thought it had been discontinued and expressed interest in participating in a similar future endeavor. He recommended that the Coal Minister, Shriprakash Jaiswal, be invited to visit the United States.

On Climate Change

15. (SBU) While referring to the GoI's public stance on climate change negotiations - no mandated emission targets - he indicated that it may be possible to introduce them so long as they were "incremental and done in consultation with stakeholders". He highlighted the importance of energy

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efficiency improvements as a solution to the problem of climate change. He expressed concern about judicial activism, specifically in environmental law. He worried that Indian courts would mandate or introduce stronger environmental protections than those enshrined in Indian law.

Comment

16. (SBU) Coal India's Chairman has over the past year demonstrated a persistent interest in working with both U.S. companies and the U.S. government. Post recommends considering Bhattacharyya's suggestions for greater private sector participation in the coal sub-working group and extending an invitation to the Coal Minister, perhaps as part of the strategic dialogue. FCS will work with Coal India to ensure that U.S. firms are aware of the upcoming tender for mining equipment.
PAYNE